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THE WRIGHT NEWS



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NEW TAX CHANGES MAY MEAN A BIGGER REFUND

In February 2009, massive changes were made to the tax law with the passage of the 2009 American Recovery and Reinvestment Act (ARRA). Although headlines focused on benefits to large financial institutions, many of the credits and deductions instituted apply directly to average taxpayers and small businesses.

Economic Recovery Payment

Certain fixed-income individuals (such as disabled veterans, railroad retirees, Social Security recipients, and certain government workers) are receiving a one-time recovery payment of \$250 in 2009. If the individual receives both this payment and the Making Work Pay Credit, the Making Work Pay Credit will be reduced by the \$250 payment.

Temporary Tax Deduction on Car Purchases

This benefit is actually an above-the-line deduction for the state sales taxes, local sales taxes, and excise taxes paid by a purchaser of a new vehicle. To

qualify, a taxpayer must have purchased the vehicle for first use between February 17 and December 31, 2009. The vehicle must be either (1) a passenger vehicle, light truck, or motorcycle with a gross weight of no more than 8,500 pounds, or (2) a motor home. Deductible taxes can't exceed the portion attributable to the first \$49,500 of the price paid for any single vehicle. Phase-outs start for individuals with AGI greater than \$125,000 (\$250,000 for MFJ).

For taxpayers taking the standard deduction, this credit should be claimed on Schedule L, Standard Deduction for Certain Filers. For itemizers, use Schedule A, Itemized Deductions.

Unemployment Compensation

Generally, a taxpayer's gross income must include all unemployment compensation benefits received. In 2009 only, up to \$2,400 of unemployment compensation is excluded from

gross income for federal income tax purposes.

Transit Benefits

Transit passes, van pooling, qualified parking, and other qualified transportation fringe benefits are not typically included in employee income up to a certain dollar amount. In March 2009, this dollar amount was increased to \$230 per month (up from \$120) for transit passes and van pooling. This increased exclusion will continue through 2010 with adjustments made for inflation.

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FIRST TIME HOMEBUYERS CREDIT EXTENDED

The First-Time Homebuyer Credit, a 2008 credit that has been widely publicized by real estate firms, was extended and changed for 2009. For home purchases made after December 31, 2008, the credit has been raised to \$8,000 (from \$7,500) and extended to November 30, 2009. Any required repayments to the IRS are eliminated after 36 months in the home.

As with the previous homebuyer credit, the taxpayer (1) has to have purchased the primary residence during the current calendar year, and (2)

cannot have owned a residence in the U.S. during the previous three years. A taxpayer who bought a home on



or after April 9, 2008, and before January 1, 2009, does not qualify for the 2009 homebuyer credit; the purchase will

continue to be governed by the original 2008 credit.

Phase-outs apply for both 2008 and 2009 and begin for individuals with AGI greater than \$75,000 (\$150,000 for MFJ) for the year of purchase.

The IRS has announced that they will be taking a closer look at individuals claiming this credit. They have notice an increase of fraud when eighteen year olds are filing for a credit that requires a purchase of a new home. They will use public records and databases to verify this credit.

GET YOUR MONEY BACK
FAST!

REFUND TRANSFERS
REFUND ANTICIPATION LOANS
ADVANCE LOANS*

*Refund Anticipation Loans (RAL) and RAL/RT Advance Loans are loans through Santa Barbara Bank & Trust. Loans fees will apply. Ask your preparer about other IRS e-file options. All products may not be available.

January 12
IRS early e-file begins

January 15
Instant Loans available.

January 15
IRS nationwide e-filing officially begins

January 17
First IRS acknowledgements and RAL Disbursement expected

April 15
End of the tax season



BYE, BYE SANTA BARBARA. HELLO REPUBLIC!

After nearly fifteen year relationship, we have decided to end our relationship with Santa Barbara and Bank and Trust.

We believe that SBBT dedication to the large tax preparation firms ignores the needs of our clients. Hence, we have selected Republic Bank as our new banking partner. This should lower your bank product fees while enhancing your experience.

Republic Bank & Trust Company was founded in 1982 and has grown into a diversified financial leader with \$3.1 billion in assets and an expanding retail banking center footprint throughout Kentucky and Southern Indiana. Headquartered in Louisville, Kentucky Republic Bank traditional lines of banking include consumer checking, mortgage lending, commercial banking,

trust and investment services.

In 1998, Republic Bank acquired Refunds Now which had already been active in the e-file industry since 1987. For the 2005 tax season, the program was renamed Republic Bank Tax Refund Solutions. With over two decades of experience in the e-file industry coupled with the strong commitment of Republic Bank to customer service, Tax Refund Solutions has become one of the leading national providers of e-file bank products. Currently they are partnered with ten major tax software providers and over 12,000 tax offices in all fifty states.

Republic offers fully approved loans with no partials or splits. Clients with no prior bank product history are eligible for full loans. Preparation fees are deducted from your loan. Disbursement op-

tions are cashier check and direct deposit to personal checking or savings account.

An automated toll-free phone line and website are available 24/7 for the verification of all bank product checks. The toll-free phone number and website are printed on the face of the checks for fast and easy verification by financial institutions or check cashing services.

ACH Processing takes one to four business days (depending on your bank) until funds are available in taxpayer's personal savings or checking account.

Current check cashing relationships are in place that will allow us to issue Bank of America checks that can be cashed at any Bank of America location. Check cashing for all check types is available at Chase branches.

A MESSAGE FROM THE INTERNAL REVENUE SERVICE

The following is a list of notices prepared by the Internal Revenue Service intended for taxpayers

Retirement Savings: Taxpayers have various options to save for retirement. You need to be mindful of their contribution deadlines and limits. For example, Dec. 31 is the deadline for contributions to a 401(k) plan, while April 15 is the deadline for IRA contributions. Taxpayers can get help from their 401(k) plan administrators where they work. Publication 560, Retirement Plans for Small Business, and Publication 575, Pensions and Annuity Income, may also help. You have more time to

make contributions to individual retirement arrangements (IRAs) for a given tax year. You generally have until April 15 of the following year. Publication 590, Individual Retirement Arrangements, for 2008, can answer most questions.

Recordkeeping: Are your tax records organized? The IRS encourages taxpayers to take the time now to gather and organize their records to reduce stress at tax time. For tips, see Publication 552, Recordkeeping for Individuals, for 2008.

Beware of Bogus E-mails: The

IRS does not send unsolicited e-mails about your taxes. If you get an e-mail that appears to be from the IRS, it may be an attempt to steal your private information. Don't click on any links in the message. Rather, forward the e-mail to phishing@irs.gov using the instructions at www.irs.gov. Remember, know one from our office, the Internal Revenue Service or any reputable agency will ask you for your social security number via email.

We are here if you have any questions on how these topics affect you and your taxation situation.

BUSINESS CORNER

Bonus Depreciation

The 50% first-year bonus depreciation, a result of the 2008 Economic Stimulus Act, has been extended through December 31, 2009, and made retroactive to January 1, 2009. The additional year of bonus depreciation for certain properties is also extended through 2010. In general, property must be acquired before January 1, 2010 (or January 1, 2011 for certain property).

In addition, higher caps, effective January 1, 2009, have been placed on vehicle depre-

ciation, with the regular dollar cap raised by \$8,000 for vehicles placed in service in 2009. Limits are \$10,960 for autos and \$11,160 for light trucks and vans.

Refundable Credits

Instead of taking bonus depreciation, businesses can now monetize accumulated AMT and R&D credits. Originally, this election applied to 2008 only; however, this option has been extended to property that qualifies for bonus depreciation and was placed in service through 2009.

Section 179 Expensing

The 2008 Economic Stimulus Act increased the Section 179 expensing amount to \$250,000, with an \$800,000 threshold for reducing the deduction. Under the new law, these amounts will remain the same. (Without the extension, the expensing amount would have been limited to \$125,000, with a \$500,000 maximum deduction threshold.)

As usual, we will be here to assist you in taking advantage of these new tax benefits.

TAX INFORMATION FOR MILITARY PERSONNEL

For federal tax purposes, the U.S. Armed Forces includes officers and enlisted personnel in all regular and reserve units controlled by the Secretaries of Defense, the Army, Navy and Air Force. The Coast Guard is also included, but not the U.S. Merchant Marine or the American Red Cross. However, these and other support personnel may qualify for certain tax deadline extensions because of their service in a combat zone.

Married members of the military may receive economic stimulus payments this fall, even if their spouses or children don't have social security numbers, following the newly-enacted HEART Act (Heroes Earnings Assistance and Relief Tax Act of 2008). Prior to this new legislation, some mem-

bers of the military did not receive stimulus payments, or received a reduced amount, due to the absence of an SSN for a spouse or child.

In November, the Treasury sent checks and direct deposits to military families who qualify for these stimulus payments. The IRS estimates that there are more than 10,000 military families who will receive the additional stimulus payments. A specific time frame for the payments will be announced later this year.

Those barred by the original law from receiving a stimulus payment included military members filing jointly with spouses who were ineligible to get an SSN. In addition, because they were not eligible for stimulus payments,

they could not receive an additional \$300 payment for each eligible child.

Married couples filing joint returns who are now eligible for stimulus payments under the new law will receive a notice from the IRS telling them the amount of their payment and the date it will be issued. Payments will be made by check or direct deposit. Those who chose direct deposit for their regular tax refund will typically get their stimulus payment by direct deposit. However, anyone who chose a refund-anticipation loan, had tax-preparation fees deducted from their refund or entered into other refund-related transactions, will get a check, instead. The payments are based on 2007 income tax returns.

CHANGES TO CHILD TAX CREDIT AND EARNED INCOME CREDIT

Earned Income Credit (EIC)

For 2009 and 2010, EIC percentage is increased to 45% of the first \$12,750 of earned income for taxpayers who have three or more qualifying children. (Prior to the new law, the credit was 40% of this amount for taxpayer with two or more qualifying children.) Several forms will be modified to account for the third child: Form 8867 (Paid Preparer's Earned Income Checklist), Form 8862 (Information To Claim EIC After Disallowance), and Schedule EIC (Earned Income Credit).

In addition, the EIC phase-out

range has been adjusted upward by \$1,880 to eliminate any marriage penalty for joint filers.

Changes to Criteria for a Qualifying Child for EIC

The following changes do not result from ARRA, but from the Fostering Connections to Success and Increasing Adoptions Act of 2008. They are effective for tax years beginning after December 31, 2008.

The qualifying child must be younger than the taxpayer claiming the child. The qualifying child must not have filed a joint return

other than for a claim of refund. A taxpayer other than the parents of a qualifying child is allowed to claim the child, but only if the taxpayer's AGI is higher than the highest AGI of any parent of the child.

Child Tax Credit

In another child-related credit, the refundable part of the Child Tax Credit is increased for 2009 and 2010. The income threshold is now set at \$3,000 (down from \$8,500). The full credit amount is still \$1,000.

AMERICAN RECOVERY AND REINVESTMENT ACT

Under the American Recovery and Reinvestment Act (ARRA), more parents and students will qualify over the next two years for a tax credit, the American Opportunity Credit, to pay for college expenses.

The American Opportunity Credit is not available on the 2008 returns taxpayers are filing during 2009. The new credit modifies the existing Hope Credit for tax years 2009 and 2010, making the Hope Credit available to a broader range of taxpayers, including many with higher incomes and those who owe no tax. It also

adds required course materials to the list of qualifying expenses and allows the credit to be claimed for four post-secondary education years instead of two. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.

The full credit is available to individuals whose modified adjusted gross income is \$80,000 or less, or \$160,000 or less for married couples filing a joint return. The credit is phased out for taxpayers with incomes above these levels. These income limits are higher than un-

der the existing Hope and Lifetime Learning Credits.

The American Recovery and Reinvestment Act of 2009 (the Recovery Act), which was signed into law by the President on Feb. 17, 2009, includes many tax breaks for businesses and individuals as well as energy incentives and important bond changes.

We are here if you have any questions on how these topics affect you and your taxation situation.



Did you know that you can get the answers to many of your questions off of our website? You can download forms, and even check the status of your federal or state tax return. You can also check the status of your bank product. Simply log onto www.wenyinc.com and your questions will be answered.



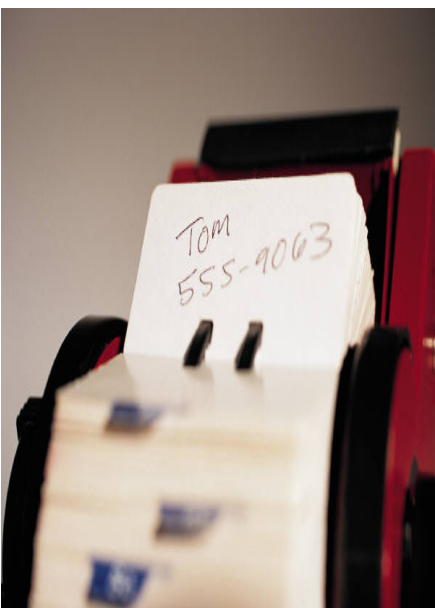


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Numbers You Should Have



Our Office 718-272-1138
Our Fax 718-272-1154
Our email questions@wenyinc.com

Business hours are from 10:00 AM to 8:00 PM Monday through Saturday during tax season, and 10:00 AM to 5:00 PM Monday through Friday during the off-season.

<u>AGENCY</u>	<u>PHONE #</u>	<u>WEBSITE</u>
Internal Revenue Service	(800) 829-1040	www.irs.ustreas.gov
IRS Refund Hotline	(800) 829-4477	www.irs.ustreas.gov
NYS Electronic Filing Filers	(800) 353-0708	www.tax.state.nys.us
NYS Customer Service	(800) 443-3200	www.tax.state.nys.us
Republic Bank	(800) 581-1040	www.republicrefund.com

It is a good rule of thumb to bet that during tax season, most of these numbers will be busy. If you are calling during this period of time, you should call early in the morning, and as late in the evening as possible to avoid peak hours. You should allocate yourself at least thirty minutes, because there will be an eventual waiting period.

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